

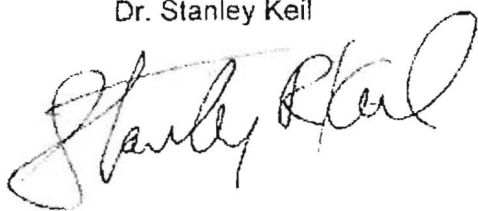
Gas City, Global City

An Honors Thesis (HONRS 499)

by

Claire M. Thomison

Thesis Advisor  
Dr. Stanley Keil

A handwritten signature in black ink, appearing to read "Stanley Keil", written in a cursive style.

Ball State University  
Muncie, Indiana

June 2012

Expected Date of Graduation  
July 2012



Sp Coll  
Undergrad  
Thesis  
LD  
2489  
.24  
2012  
T44

## Abstract

As many cities and towns in the Midwest are rapidly losing jobs in what were once their critical manufacturing and agricultural economic bases, these municipalities are struggling to bring new businesses and jobs to their communities despite traditional economic development strategies and incentives. Cities that are succeeding in this age of globalization are focusing on development in information-based and high tech industries that require highly educated and highly skilled human capital, which is typically not found in traditional manufacturing towns. This poses several fundamental questions to urban planners: Can old manufacturing towns make the transition to the high tech, creative, information-based society? Or does there come a point where resources should be dedicated to helping a place gracefully decline rather than to an industry that will never succeed in such a location? I explore these issues in the context of a previous urban planning studio project that developed an economic development plan for Gas City, Indiana. I analyze the strategies that were recommended in this plan through the books *Triumph of the City* by Edward Glaeser (2011), *Caught in Middle* by Richard C. Longworth (2008), *The Rise of the Creative Class* by Richard Florida (2002), and also a special report on "Manufacturing and Innovation" in the *The Economist* (2012). Additional support is provided on why traditional economic development incentives can often be unsuccessful and what strategies may help Gas City to overcome the exodus of traditional manufacturing from the Midwest.

## Acknowledgements

I would like to thank Dr. Stanley Keil for not only advising me through this senior project, but also for his mentoring and overseeing of two independent study courses that were absolutely critical to my undergraduate education in both urban planning and economics.

I would also like to thank Dr. Barb Stedman for helping me to get my thesis on track and for all of her incredible help and support over the course of my time at Ball State University.





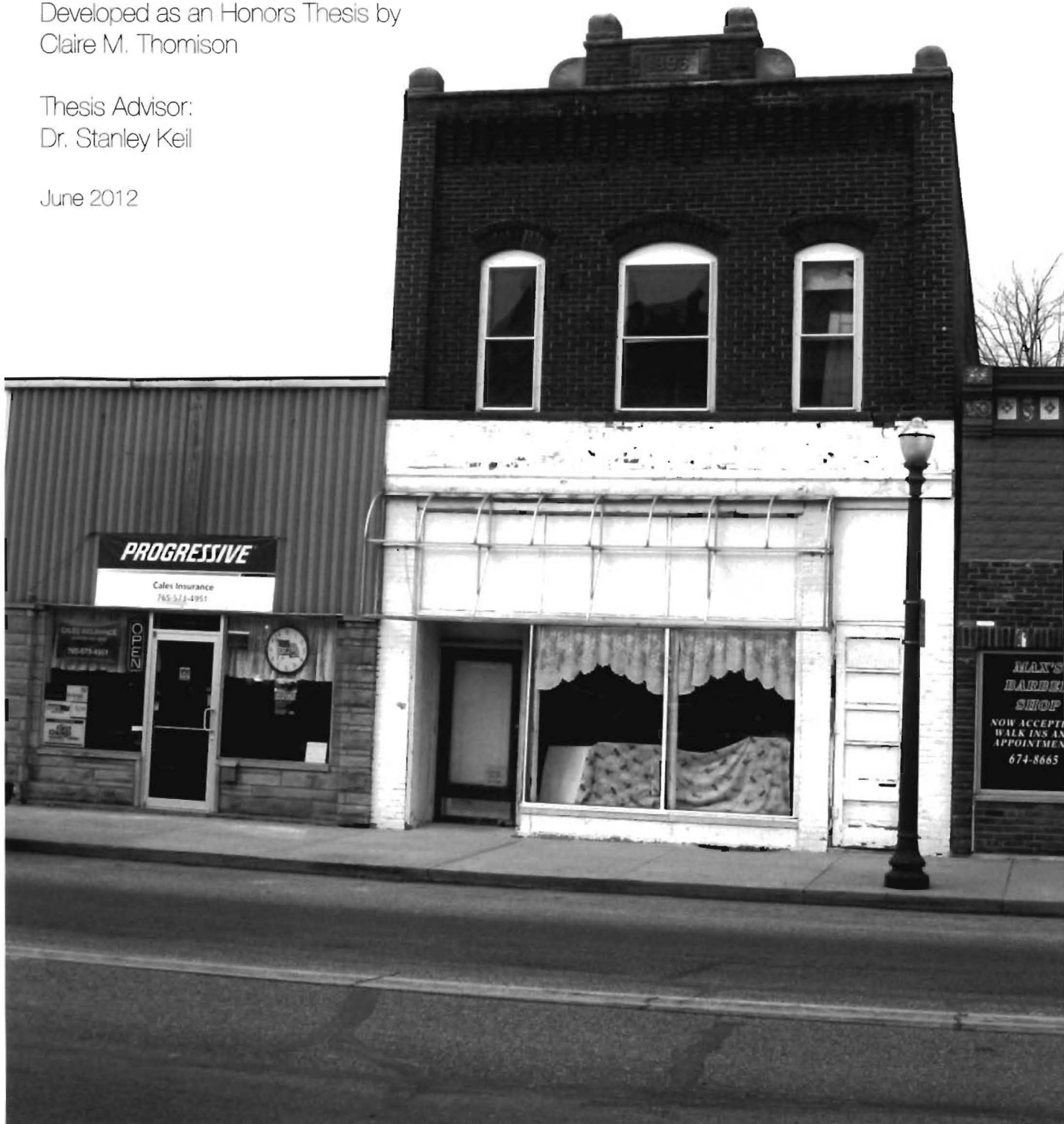
# GAS CITY, GLOBAL CITY

Revisiting an Economic Development Strategy for Gas City,  
Indiana through the Lens of Globalization

Developed as an Honors Thesis by  
Claire M. Thomison

Thesis Advisor:  
Dr. Stanley Keil

June 2012





# ACKNOWLEDGEMENTS

---

I would like to thank Dr. Stanley Keil for not only advising me through this senior project, but also for his mentoring and overseeing of two independent study courses that were absolutely critical to my undergraduate education in both urban planning and economics.

I would also like to thank Dr. Barb Stedman for helping me to get my thesis on track and for all of her incredible help and support over the course of my time at Ball State University.

# TABLE OF CONTENTS

---

<b>9</b>	<b>Forward</b>
<b>10</b>	<b>Gas City Expanded Executive Summary</b>
<b>14</b>	<b>The Limitations of Traditional Economic Development Incentives</b>
<b>18</b>	<b>Shift of the City</b>
<b>27</b>	<b>Works Cited</b>



# FORWARD

Upon completion of my final project for my final urban planning studio course at Ball State University, I still felt unsure about the recommendations that I had suggested for economic development in Gas City, Indiana. Typically at the end of projects, I generally feel incredibly confident in my final product, design, or strategy, especially after months of research and analysis. In this case, however, I felt that there was something that was lacking, that there was a piece of the picture that I was not seeing. It seemed that I still needed more information and new insights. I even felt like the final product was almost somewhat generic, certainly a character that should be avoided in any field that is the slightest bit creative.

Perhaps the main things that I found myself looking for were context and perspective. When looking at a particular city or community, I have a tendency to isolate it within a small region or even within its own municipal boundaries. After some examination, I established that what I was searching for was a greater grounding to the global context. The global economy is the shifting force of these local economies, so should we not study the global to understand the local? I believe that I had several professors who encouraged this mindset, but of course I had to learn the hard way and discover the need for it on my own.

Several discussions with Dr. Keil and other professors led me to *Triumph of the City* by Edward Glaeser, *Caught in the Middle* by Richard C. Longworth, and *The Rise of the Creative Class* by Richard Florida, which served as lenses through which I could examine the recommendations that I made for economic development in Gas City. These three books, which expanded my knowledge of urban planning and economics substantially (even beyond the relevant information for this project), helped to illustrate the context of the Midwest within globalization, how cities are succeeding in this evolving economy, and the agents of energy and vitality within this context. I know

that these texts, in addition to the other articles and reports that I encountered along the way, will serve as reference points for both my graduate studies as well as my career.

The following senior project provides some background information on the original Gas City Economic Development Plan (developed in the previously mentioned studio) through an extended executive summary, insights as to why traditional economic development incentives are not always the solution, and finally the most pertinent insights that I gained from reading *Triumph of the City*, *Caught in the Middle*, *The Rise of the Creative Class*, and also a special report on "Manufacturing and Innovation" in the *The Economist*.■





# RESTORING ECONOMIC VITALITY IN GAS CITY, IN

The second-semester third year studio in urban planning focuses primarily on economic development, with a touch of real estate development. The studio was divided into five teams to each conduct economic analyses and develop an economic development plan for a different neighborhood, municipality, or region within East Central Indiana. Through this extended executive summary, I have attempted to capture the essence of my team's final project after a semester of research on the economic conditions of Grant County and Gas City, Indiana.

The team's research and findings were far more extensive than what is included in this report and resulted in six large reports throughout the semester. For the point of this senior project however, I am simply attempting to generate a discussion from the results of the project and the corresponding literature that focuses on the potential for such cities to succeed and what circumstances are necessary for this to occur.

After examining Grant County, Gas City, and the Gateway Neighborhood within Gas City through a number of economic analysis techniques including census data analysis, location quotient, multiplier effect analysis, and shift-share analysis, the Gas City team determined that Gas City would become the focus of the economic development efforts. Both public and private reinvestment in Gas City's downtown, specifically, was determined to have the greatest effect on both the City and the region as a whole due to its key location next to I-69, the wealth of existing building capital and historic storefronts, a high-quality and well-preserved housing stock, a small number of local businesses either in or surrounding the downtown, and the location of key amenities such as the library, fire station, and parks either within or adjacent to the downtown district. Although Gas City was the primary focus of this revitalization plan, the team anticipated that this downtown redevelopment would have many positive implications for Grant County as a whole.

In the past several decades, most businesses and industries have chosen to develop closer to I-69 rather than investing in downtown Gas City. Though many jobs have been created by new logistic and distribution centers close to the interstate, this transportation access has also allowed individuals to live further from the downtown core. This sprawling development has increased and been fueled by residents' dependency on cars, and has subsequently led to a somewhat lifeless downtown.

Aside from being known for its industrial roots and connections to actor James Dean, Grant County and its municipalities lack an identity and sense of place. As a result, the localities are not currently appealing to non-residents and many business owners. The outward development away from the downtown cores further contributes to the county's lack of identity, and though there is increasing sprawl within the county, there are limited connections between the municipalities. The Cardinal Greenway moves between Jonesboro, Gas City, and Marion, but the other towns are connected solely by automobile routes.

Additionally, from 2000 to 2010, the unemployment

## WHAT IS THE CREATIVE CLASS?

In *The Rise of the Creative Class*, Richard Florida defines the core of the Creative Class to include "people in science and engineering, architecture and design, education, arts, music and entertainment, whose economic function is to create new ideas, new technology and/or new creative content. Around the core, the Creative Class also includes a broader group of creative professionals in business and finance, law, health care and related fields" (Longworth, 2002). ■

rate in Gas City more than doubled from 6.04% to 13.53% (U.S. Census Bureau, 2012). Several large factories are awkwardly juxtaposed in between residential neighborhoods. While the majority of the housing stock in Gas City is in good condition, a number of houses adjacent to the industrial development are dilapidated and/or vacant.

While the team identified a number of weaknesses in Gas City and Grant County, we also discovered bountiful opportunities in this region as well. Due to its cultural and economic history manifested in its infrastructure, existing educational institutions, and downtown neighborhoods, Grant County has the potential to become an attractive region for individuals associated with the creative class. As a place with a strong history and community pride, Gas City presents many opportunities for development, physically and socially. A well-maintained housing stock, downtown, and resources within the City itself can serve as keys to unlocking this potential.

The nostalgic street wall on Main Street that provides "windows of opportunities" also has the potential to house necessary amenities that Gas City currently lacks. By making products and services that address everyday needs available downtown, the local economy will experience a boost through an increase of local businesses and downtown activity. The nature of the downtown also provides opportunities for branding. By revitalizing the downtown, the City will be able to focus on its future identity,



rather than solely using elements of the past to characterize the streets (decorative gas drilling rigs currently line the streets). With connections to the Cardinal Greenway, the Mississinewa River, a large park near downtown, a number of public amenities downtown, amongst other features, Gas City has many resources, in spite of its small population. All of these features should be capitalized on in order for Gas City to recognize its full potential.

While Gas City has been successful in retaining some existing firms and businesses, it is clear that the loss of large manufacturing plants such as Marion's Thomson plant at the heart of Grant County have had severe negative economic impacts regionally. After reviewing economic research that revealed that traditional economic development strategies such as tax abatements for large manufacturing firms are often not the best solutions for addressing economic distress, the Gas City team determined that redevelopment should focus on the creation of quality of life, a generation of a sense of place, and the pursuit of markets, particularly those associated with the "creative class," that do not rely so heavily on the attraction of large, volatile manufacturing firms.

**Several key strategies were determined for the economic development of Gas City's downtown, which include:**

- Private redevelopment along the street wall to bring additional housing, retail, and urban amenities to the downtown area
- Development of a post-industrial economic development strategy to attract the creative class through both publicly and privately available amenities
- Provision of an environment for entrepreneurship potentially through a business incubator that is partnered with the downtown redevelopment committee and surrounding educational institutions in Grant County
- Develop a public-private partnership consisting of the City and the redevelopment team that is committed to the established vision, as this project would likely not be feasible if only one sector were to pursue it individually (For this project, the plan was written from the perspective of a private development team).

The proposal involved the rehabilitation of Gas City's downtown in a manner that reflects its original character and vitality. Through the revitalization of existing facades and the addition of new structures to fill current gaps in the street wall, the district will be physically restored and will be ready to house a number of firms, businesses, and residential apartments. Specific types of businesses will be targeted based on the retail trade capacity study, which accounted for both current residents as well as additional anticipated residents to fill the new development. The study indicated that there will be significant post-development demand for amenities such as a grocery store, a theatre renovation (the building where a historic opera house used to be is located in downtown Gas City), boutique shops, and restaurants.

Through the synthesis of economic and real estate development analyses, the studio team believed that both the municipal and the regional economies could benefit substantially and that the development team itself could generate a profit. Through this revitalization proposal, we determined that a vibrant, economically sustainable downtown would be able to emerge in Gas City and the regional economy would expand to fill the many gaps that the loss of manufacturing left behind. ■





Gas City residents informed the team that a number of small businesses that currently occupy the downtown last only a few months before they go out of business. They are then replaced by other businesses that suffer a similar fate.



A number of key amenities including the City Hall, the library, and the post office, are located at the heart of downtown Gas City on Main Street.



Many historic buildings have been covered with new tacky and unattractive facades.

# LIMITATIONS OF TRADITIONAL ECONOMIC DEVELOPMENT INCENTIVES

When developing the economic development plan for Gas City, the team made the assumption that traditional economic development incentives may not necessarily be the best way to induce growth or generate high quality of life within the city. This section examines the true effectiveness of traditional economic development incentives and provides a critical base for understanding the level of influence that a city has over its economy.

## Why We “Need” Incentives

As cities and communities decline, they are drawn to use economic development incentives in attempt to induce growth or reverse the decline. In order to attract firms that would not otherwise settle in a given community, cities compete with each other by outbidding other competing cities by offering a variety of incentives that attempt to offset the costs that the firm incurs by locating in that particular area rather than their most cost effective location. Most common incentives include industrial development bonds, manufacturing and commercial property tax abatements, the establishment of a downtown development authority, and the establishment of a tax increment financing authority district.

There are several primary justifications for the use of incentives and the substantial cost burden that they often place on communities that are intensely seeking economic development, such as Gas City and Grant County. The predominant reasoning for offering large incentives is the prospect of increasing jobs and local employment rates. The assumption is that with increased jobs and employment, the increased capacity for local spending will also increase demand for goods and services. In addition to increased jobs, cities also provide incentives to expand the commercial or industrial tax base and public revenue, which accordingly can offer residents either improved public services or decreased tax

rates. Cities also use economic development incentives as a remedy for unemployment and poverty by attempting to match local unemployed residents with new jobs that are a result of firms that are drawn to the community through the incentives (Peters and Fisher, 2004).

Are these justifications strong enough to warrant the massive amounts of money that are being spent by cities on local economic development incentives? The reasoning seems valid for the estimated \$50 billion spent on incentives in 1996 (Peters and Fisher, 2004, p. 28), but the real question is do these incentives actually deliver the effects that policymakers believe they will? In many cases, the answer is often no, though some studies have found positive economic effects associated with the use of incentives. Instead of stimulating economic growth, incentives are often quite the opposite: an immense costs to cities and communities that are in desperate need of growth. How then, do we move from costly incentives to policies that generate benefits for residents, potential firms, and existing businesses? As Bartik (2007) states, “The challenge is to design reforms that encourage dropping wasteful incentives and keeping those that are socially beneficial” (Bartik, p. 103). In order to do this, an understanding of the problems with current incentive practice is necessary before reforms can be made to increase incentive effectiveness and generate the intended economic effects. This section attempts to understand why



some incentives have failed, why some have worked, and if cities can develop a truly effective package of targeted incentives that will result in local economic growth. This section serves as an explanation as to why the Gas City team chose to opt for alternative economic development strategies.

## The High Costs of Incentives

Although cities and communities that try to bring in business with incentives are confident that the costs will ultimately lead to a greater benefit, often times this is not the case. Bartik (2007) found that the higher business tax base that resulted from the use of incentives could only cover about a quarter of the revenue lost due to incentives, “resulting in a net cost of creating a job through lower business tax rates of about \$7,000 per year in foregone business tax revenue. At a 10 percent real discount rate, the present value cost in forgone business tax revenue is \$70,000 per job created” (p. 107). Peters and Fisher (2004) also estimated net cost of incentive-induced jobs. Through a simulation model based on actual state and local incentives available in 75 enterprise zones across 13 major industrial states, “They calculated that each net new job (each induced job) costs state and local government about \$42,000” (p. 35). These findings emphasize that while incentives may have a seemingly positive effect through job growth, the net cost of each induced job far exceeds the benefit that it offers.

## General Issues with Incentives and Current Incentive Practice

There are several fundamental problems that inhibit the success of local economic development incentives. Without addressing these issues, it will be difficult to develop a set of effective incentives that will induce community economic growth.

### *1. Many policymakers do not understand that often times, incentive costs outweigh the benefits.*

The first issue with many incentive programs is that policymakers do not understand that often times, incentive costs outweigh the benefits and tend to distort the true effects of incentives. According to Peters and Fisher (2004), “The most fundamental problem is that many public officials appear to believe that they can influence the course of their state or

local economies through incentives and subsidies to a degree far beyond anything supported by even the most optimistic evidence” (p. 35). Wassmer (1994) also critiques policymakers who assume that local incentives always exert an additive effect on local economic development, stating that, “In fact, the results indicate that a more reasonable premise is that city incentives exert no effect, or are only positively associated with further economic decline” (p. 196).

Although some incentives may generate a certain degree of benefits, often times a true cost-benefit analysis is not used to evaluate real effects of the incentive, which typically do not come out ahead of the costs. Using a model that assumed an incentive of a 30% cut in state and local taxes and the elasticity that 1 in 10 new jobs is attributable to local economic development incentives, Peters and Fisher (2004) found that “the best case is that incentives work about 10% of the time, and are simply a waste of money the other 90%” (p. 32). Public officials also tend to distort the true effects of incentives through the assumption that all growth is good. “This assumption,” according to Bartik (2007), “forgets that only a portion of the new jobs go to local residents and the unemployed, and that new public expenditures will be required” (p. 112). When policymakers neglect to account for these factors, large sums of money are wasted, desired social effects are not achieved, and targeted economic growth does not take place.

### *2. Conflicts of interest with those making incentive decisions.*

Another fundamental problem with the issuing of incentives is that in many cases the decision makers involving incentive policy have conflicts of interest. Groups such as real estate developers, Chambers of Commerce, and newspapers have significant influence over the local economic development decisions. “From these groups’ perspectives,” Bartik (2007) explains, “The benefits of economic development are the increase in the value of their property, including the value of local business assets, and this increase in local capital values is closely related to the earnings and tax base increase of the new plan. Furthermore, the costs of the incentives, including the incentives that do not work, will be borne largely by the general public” (p. 112). This is a serious structural problem within the framework

of incentive policy that can encourage poor local economic development decisions. When the decision makers theoretically have nothing to lose by offering incentives, even when the incentives may not be in the best interest of the city as a whole, it is inevitable that at some point, inefficient, unsuccessful local economic development decisions will be made.

*3. Many new jobs go to in-migrants rather than unemployed local residents.*

Another major issue arises when the emphasis of economic development incentives is placed primarily on the acquisition of jobs and precautions are not taken to ensure that incentive-induced jobs truly do stay local. In many cases, the majority of new jobs created as a result of local incentives go to in-migrants rather than to unemployed local residents (Peters and Fisher, 2004, p. 28). In many cases, firms have very few requirements tied to the incentive as to where their labor supply comes from. Because of this, many of the newly created jobs go to workers that live in the nearby suburbs and communities or newly attracted in-migrants rather than to the "riskier," unemployed population in the community that provided the incentives for the firm to develop in that location to begin with. Bartik (2007) found that "a 1 percent increase in local employment is associated in the long run (more than five years) with an increase of 0.8 percent in local population, implying that 8 out of 10 new jobs in a metropolitan area go to persons who otherwise would have lived elsewhere" (p. 108). There are also implications for the levels of real wages. According to Bartik (2007), "One percent extra job growth in the long run is associated with average real wages moving up by 0.1 to 0.2 percent, but due entirely to local residents moving up to better-paying positions" (p. 108). When this occurs, not only do communities not see improvements in the wages of the unemployed and the public tax benefits associated with increased wages, but they also do not achieve the desired social outcomes, including providing better employment opportunities for low-income residents and unemployed individuals, that are intended with the use of incentives.

*4. Incentives don't always "tip the balance" because taxes make up a small percentage of total operating costs.*

One argument for the use and increasing effectiveness of incentives is that firms are becoming increasingly footloose as innovations in communication and transportation allow for a wider variety of location choices. Because firms have a larger set of acceptable potential sites to locate at, they are more sensitive to the local costs, such as labor and taxes (Bartik, 2007, p. 105). Although wages are a larger share of costs than taxes and "fairly small geographic differentials in wages could easily outweigh what appear to be large tax and incentive differentials," taxes are still targeted through incentives by public officials because they are more easily controlled by government policy (Peters and Fisher, 2004, p. 31). As a result, incentives don't always "tip the balance" because to many firms, other costs, including labor, significantly outweigh the tax differences, even when local governments attempt to offset these costs with incentives. Another issue arises when local governments do not use necessary discretion with their incentive offers and end up providing large tax incentives to firms that would have located in the city anyway, regardless of the incentive.

An additional side effect of the increased mobility of firms is their tendency to settle in an area where they receive tax abatements, stay in this location until the abatements terminate, and then leave for another place offering greater benefits. In these cases, municipalities spend money on providing these abatements and then receive no increase in tax revenues after the incentive period is over and the firm has moved on.

*5. Incentives induce spatial reshuffling among communities.*

The final fundamental issue with current incentive practice is that incentives induce competition among neighboring communities and the spatial reshuffling of employment, housing, and investment, which consequently offers very few net gains for the state.



Peters and Fisher (2004) discuss how incentives at the local level are more likely to be revenue positive, however though, "The main reason for this is that incentives are more likely to influence the location of investment among closely matched local areas (such as neighboring cities) than among states" (p. 35). They further go on to explain, "The movement of investment among localities in a state creates no fiscal benefits for that state- investment is merely reshuffled spatially. If a state subsidizes the reshuffling with incentives, its fiscal losses will grow quickly" (Peters and Fisher, 2004, p. 35). Externalities also arise when neighboring communities bear the cost of public services infrastructure associated with housing. According to Bartik (2007), "The net fiscal costs of providing public services to additional households attracted by the new business activity will mostly be incurred by other jurisdictions in the metropolitan area, or by the state government, as most workers in an individual suburban jurisdiction do not live there" (p. 113). This creates a complicated distribution of the costs and benefits of incentives that is very difficult to monitor or regulate. When localities within the same region do not coordinate local economic development incentives, wasteful and inefficient decisions are often made, and in many cases the true bearers of costs and recipients of benefits vary greatly from the original intentions of policy makers that offered incentives in the first place.

### **Community Self-Investment: True Economic Development?**

While it is clear that some type of local economic development incentive reform is necessary, there is debate about what exactly that reform entails. While the previously discussed improvements and alternatives are mostly bureaucratic and policy-based, a less direct, though perhaps equally effective alternative remains. Many would argue that community self-investment through funding and development programs directed at local schools, infrastructure, job training, and other local amenities provide the necessary incentive to attract businesses and residents to a particular community. Peters and Fisher (2004) criticize policy makers

that attempt to "micromanage economic growth." They call for a more sensible view of the role of government, one that "provides foundations for growth through sound fiscal practices, quality public infrastructure, and good education systems- and then letting the economy take care of itself" (p. 36). It is through these fundamental community building blocks that attractive, healthy, and economically strong communities can emerge and provide the self-sustaining incentive of quality of life. ■

# SHIFT OF THE CITY

From observations of both urban and suburban economies, it is clear that cities and their surrounding communities are composed of a dynamic fabric, which is constantly shifting due to changing economic conditions. This discussion attempts to generate insights as to what strategies are required for these new conditions in places such as Gas City.

Over the past fifty years, the Midwest in particular has experienced such a shift through the loss of much of the traditional manufacturing and agricultural economic bases, which has slowly become evident in deteriorating physical infrastructure, the loss of previously provided services, and the irrelevance of skill sets that once served the needs of previous economies. Both Gas City and Grant County have experienced similar phenomena including a decline in population, the loss of several large manufacturing firms, and the physical deterioration of their corresponding downtowns.

Richard C. Longworth (2008) paints a picture of old manufacturing towns that is hauntingly reminiscent of the Muncie's, Anderson's, and Gas City's of the Midwest:

*Many are small places, some fewer than ten thousand people, some as many as sixty thousand or so, and they're all about 150 years old, born in the first years of the machine age. Their problems show in the closed shops on Main Street, where gift stores and Medicaid clinics have replaced the groceries and two-story department stores of old, in the potholes and broken curbs and surface shabbiness. The old factories, dead or dying, stand on the edge of town, near the railroad tracks. Out on the highway is a strip of Wal-Mart and Denny's businesses that have sucked the life and commerce of the downtown (Longworth, p. 43).*

Beneath the shabbiness, there is a rusty

skeleton of a vibrant city that was once full of life. It is clear that what once worked here is no longer functional. Most of the people who remain here watched the city crumble before their eyes, unless, such as in the case of Muncie, they are students or faculty at a university such as Ball State, who cluster around the amenities that the school offers and disregard most of anything else that happens around the city.

While this portrait is a grim glimpse at a city that is slowly dying, I have always seen potential in such places. As I became involved in urban planning, I viewed the planning tools I acquired as a way to fix broken things, to heal broken places. Though when I began to develop a view more attuned to economics, I caught a glimpse of a bigger picture where the functional scale is larger than a city and extends as a region, a nation, or even the entire globe. At this scale, the smaller pieces, such as cities and towns, function based on the rules of supply and demand that are dictated by the system as a whole, rather than the smaller regions that had previously determined the rules of the game. If these cities and towns wish to participate in the larger global economy, they must play by the new rules, which have much different requirements than the old days of traditional manufacturing and agriculture.

Richard C. Longworth explains these phenomena through the term "globalization," or the massive expansion of global communications through satellites and the Internet, in his book, *Caught in the Middle*. According to Longworth,



"Globalization unites and divides. It cements ties across borders while weakening old ties at home. It celebrates the transnational at the expense of old loyalties. It brings people together from around the globe while stirring xenophobia. It destroys old industries and economies and creates new ones- not always in the same places. It makes some people richer and other people poorer, and this gap is growing" (Longworth, p. 6). Globalization produces products more efficiently, allowing corporations to choose locations where taxes are low, regulations are lax, and labor is cheap. This generally results in cheaper prices for consumers and greater profits for corporations. By expanding production globally however, "companies and workers who used to compete with the next town or the next state now compete with China, India, Ghana, Poland, Costa Rica, or anywhere else that global technology- which is to say, communications and shipping technology- makes investment possible and profitable" (Longworth, p. 7).

This fact alone has massive implications for the Midwest and the manufacturing towns that once so vibrantly thrived in the heartland. As trade and production expand across the globe, many towns and cities across the Midwest are discovering firsthand that they are no longer the ideal location to produce the goods that they were once designed for. In addition, not only did the dominance of such industries provide a vast number of low-skill jobs across the Midwest, it also created a culture that not only accepts, but also expects low levels of education and the corresponding low-skill jobs. Longworth describes this attitude, stating that many Midwest parents "feel they made a good living on the line, without education, and what was good enough for them is good enough for their kids" (Longworth, p. 178). While this may be a widespread mentality, Longworth warns that with the economic shifts that globalization brings, "it's no longer possible for those children- and their parents- to pretend that a high school diploma is a passport to a good job in the new economy" (Longworth, p. 178). At the very core of this new economy are high tech and information intensive

fields that require highly educated individuals in order to be successful. If the Midwest wishes to compete in the global economy, it is critical that it shifts this attitude about education.

Many of these same towns and cities cling to the once profitable past by offering large tax abatements and other incentives to large manufacturing firms in hopes of restoring a few of the thousands of jobs that were lost. As discussed in the previous section, many of these incentives are significantly more costly than the tax revenue and jobs they bring in. Perhaps an even greater loss is the time, energy, and money that is devoted to a dying industry, rather than using these resources to invest in industries that offer a future for these regions and municipalities.

As globalization moves low-skill mass production to regions and countries that offer lower labor prices, this industry, with the exception of a few cases of specialization, is likely leaving the Midwest for good. What does this mean for places like Gas City, Muncie, and Anderson? These cities must evolve to move away from industries that are no longer profitable and grasp the advantages that globalization offers. According to Longworth, "A city is an organic thing. It is born usually for economic reasons. If the economic base vanishes- if a mine gives out or a port silts up or trade goes elsewhere- so does the city's reason for being. Great cities reinvent themselves, over and over, finding new ways to support themselves and their citizens" (Longworth, p. 156). Cities that want to survive must take part in this economic evolution, adapting to new conditions and shifting their energy and resources accordingly.

### **A Third Industrial Revolution**

In April 2012, *The Economist* ran a special report on "Manufacturing and Innovation," describing what is being called a "third industrial revolution." While changes in manufacturing, particularly the loss of the many manufacturing jobs across the United States, have typically been surrounded by a severely negative connotation, there is a much

more exciting part of the manufacturing story that is expanding exponentially. As manufacturing goes digital, production patterns are shifting to methods such as 3D printing, a type of additive manufacturing that adds material, layer by layer, and software-based methods that are entirely changing the way we think about manufacturing. This type of manufacturing “will allow things to be made economically in much smaller numbers, more flexibly and with a much lower input of labour, thanks to new materials, completely new processes such as 3D printing, easy-to-use robots and new collaborative manufacturing services available online” (“Manufacturing and innovation,” 2012).

While this new wave of production will not replace the manufacturing jobs that have been lost, perhaps one of the most exciting parts of this revolution is that it will empower the creative individual entrepreneur and smaller-sized firms to competitively enter the manufacturing industry. “Launching novel products will become easier,” the article describes, “Communities offering 3D printing and other production services that are a bit like Facebook are already forming online- a new phenomenon which might be called social manufacturing” (“Manufacturing and innovation,” 2012). This allows for collective use of physical capital, despite geographic location to a degree. As Glaeser describes in *Triumph of the City* however, advances in technology do not make agglomeration economies obsolete. “Firms cluster together for a variety of reasons,” the article describes, “the skills that are available in a particular area, the concentration of specialist services and the venture capital from investors with a close understanding of their market. Usually there are universities and research laboratories nearby so the process of coming up with new ideas and the means of turning those ideas into products are closely linked” (“Manufacturing and innovation,” 2012). While it is clear that Gas City, or any city in East Central Indiana, will not become the next Silicon Valley, it is not entirely unreasonable for this region to start taking advantage of some of the production techniques offered by this “third industrial revolution.” There are individuals and student

collectives from Ball State University’s College of Architecture and Planning that take advantage of the digital fabrication equipment within the College such as four laser cutters, a CNC mill, and a 3D printer. At least one of these groups, Projectione, has spun off into a company that specializes in custom digital fabrication projects for individual clients. Located in Muncie due to its connections and resources at Ball State, Projectione also takes advantage of the low shop rent and cost of living that Muncie provides.

Access to such equipment allows ordinary people to become innovators, students to become businesspeople, and economies to be created around the community of designers and producers that is generated as a result. While Gas City and Grant County may not have intense engineering or biotechnology educational bases, Grant County houses Taylor University, Indiana Wesleyan University, and Ivy Tech Community College and neighbors Ball State University in Delaware County. These educational institutions are proof that there are highly educated faculty and students in the region, though nearly all of the students move elsewhere upon graduation. The Gas City team suggested that a business incubator be developed that partnered with neighboring universities, as a way to both boost local economies and retain the highly educated young people that are so critical to urban success. In addition, Richard Florida suggests that highly functional economies are ones in which every individual is recognized for their creative abilities. Such an incubator could allow individuals and small firms to realize this potential by focusing on providing the tools, training, and community that is required to compete in this third industrial revolution.

## Creative Environment

In his book, *Triumph of the City*, Edward Glaeser (2011) describes simply how to succeed using the advantages that globalization offers. “The most-skilled people in the rich countries,” he says, “have thrived by selling their ideas to the world and by using worldwide labor to produce their inventions more cheaply” (Glaeser, p. 29).



While this seems to be an intuitive strategy for succeeding in the economic conditions of the era of globalization, this is certainly easier said than done, particularly for many Midwest communities that cling to the industries of yesterday. One of the main complications arises due to the increasing need for human capital versus physical capital and low-skill workers. According to Glaeser, "To thrive, cities must attract smart people and enable them to work collaboratively. There is no such thing as a successful city without human capital" (Glaeser, p. 223). This mentality differs significantly from the physical capital intense production methods of the Midwest. In order for cities to succeed under these new economic conditions, they must shift their mindset, placing a much higher value on the creative environment and attracting highly skilled human capital.

This jump may be particularly difficult for the Midwest due to traditions of factory work and a production mindset. According to Longworth:

*In many ways, the Midwest is a victim of its own success. These were company towns, totally dependent on one big corporation. Their founders had one really good idea, and that idea sustained their corporations for decades, eliminating the need for more good ideas. For workers, the factories provided a living- in time, a good living- so there was no need to go elsewhere, look elsewhere, imagine anything different, for themselves or their children. For the cities, the corporations were a constant, steady source of jobs, taxes, and leadership, so no mayor or city manager needed to seek new investment" (Longworth, p. 27).*

In this way, along with the influence of unions and big, change and risk averse businesses, the Midwest lost its roots of innovation to the perfection of a single idea. While this loss of innovation has been a pattern in the Midwest, there are also some exceptions. University towns such as Ann Arbor, Michigan and West Lafayette, Indiana serve as anchors for their urban economies. Other cities, such as Chicago, have taken advantage of the global environment by specializing in information industries such finance

and business services. According to Glaeser, "Financial entrepreneurs, like the billionaire hedge-fund manager Kenneth Griffith, choose Chicago because it has the size and the well-educated workforce to provide the professionals and services that their organizations need, while still maintaining a strong quality of life and a family-friendly, wholesome Midwestern feel, as compared with Manhattan" (Glaeser, p. 242). Chicago's commitment to new construction has also allowed the city to provide a high quality of life at an affordable rate, as compared to other large cities in the United States.

Another reason that these cities have succeeded is through facilitating collaboration and face-to-face interactions between highly skilled individuals. While it may seem that the massive increase in communications technology with the Internet and web-conferencing would lead to a decreased need for face-to-face interactions, Glaeser argues that this isn't the case. He predicts, "Improvements in information technology can lead to more demand for face-to-face contact, because face time complements time spent communicating electronically. Better information technology," Glaeser states, "has made the world more information intensive, which in turn has made knowledge more valuable than ever, and that has increased the value of learning from other people in cities" (Glaeser, p. 38). This gives more densely populated areas, particularly cities, a greater advantage over more spread out developments that do not facilitate this type of interaction. This also gives cities that promote the attraction and development of human capital an even greater edge in the age of globalization.

This advantage also is dependent on the people who are living, working, and collaborating within the city. American urban studies theorist Richard Florida has identified a group known as the "creative class," a group of highly-skilled, educated, creative, diverse, and technology-based businesspeople, entrepreneurs, artists, and other professionals, that generate a creative urban environment, which subsequently attracts more creative individuals, as well as business and capital. Florida, in his book, *The Rise of the*

*Creative Class*, suggests that focusing on the attraction of the creative class to cities is a more effective economic development strategy than investment in large projects such as stadiums or traditional economic development incentives.

In attempt to understand why companies were leaving places that had invested in infrastructure, technology, and large projects such as stadiums and convention centers, Florida found that companies were moving to cities where the creative and innovative people that they were trying to recruit were flocking to. In a lecture in Savannah, Georgia, Florida states that, "the source of economic value now is no longer how fertile your soil is, or how big your ports are, or how many workers you can amass in a factory. Lots of places all over the world can do that more efficiently than we can. The only asset that's really a differentiator, is our knowledge, it's our intelligence, it's our innovation, it's our entrepreneurship, it's our creativity. That's what gives us an economic edge. That's what creates our economic wealth. That's what makes us more productive" (Florida, 2006). In addition, it is the cities that can house a plethora of human capital that offer this creativity and these skills that are most attractive to firms that are looking for a city in which to locate. Florida summons cities and communities to take advantage of this creativity that is our competitive advantage in this age of globalization. The best places, he explains, are those where anyone can make it and where there is acceptance of diversity and utilization of the creative energy at every level.

In addition to the attraction of human capital, Florida focuses on the 3T's of economic development, which he argues are critical to the attraction of creative people, the generation of innovation, and economic growth. These T's include technology, talent, and tolerance. While it is clear why technology and talent are critical for successful creative cities, the importance of tolerance and diversity is not as immediately evident in traditional economic development methods. Florida argues that, "Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas.

Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation, and economic growth" (Florida, 2002, p. 249). It could also be argued that the lack of diversity in the Midwestern economy has made the loss of traditional manufacturing jobs hit the region even harder than it would have had the economy not been built mostly around a single industry.

When Florida discusses diversity, however, he is talking about more than simply economic diversity. He also means racial, ethnic, age, and sexual orientation diversity and tolerance, which in turn leads to a more diverse economy. While it seems intuitive that this diversity would promote economic growth and stability, the Midwest as a whole does not necessary foster this type of environment. Longworth responds to Florida's requirement for diversity and tolerance, stating, "If there's one thing that rural areas usually don't have and don't want, it's diversity" (Longworth, p. 97). Longworth even dedicates an entire chapter to "The New Midwesterners," discussing the difficulties that arise with immigration to areas that have been predominantly or entirely white since their first development. Although the Midwestern attitude may be averse to this change, it is clear that in this era of globalization, cities and communities are experiencing an evolution in which they must take part in order to succeed in this transforming economy. Longworth describes cities that are thriving such as New York, Chicago, Boston, Toronto, Denver, Portland, San Francisco, and Atlanta as cities that have large and growing foreign populations, whereas other less successful cities such as Detroit, Cleveland, and Pittsburgh do not (Longworth, p. 125). As Florida suggested, diversity and foreign-born citizens "bring global viewpoints, vital contacts with other nations, ethnic restaurants and neighborhood festivals, new art and different music" (Longworth, p. 125). They are critical to fostering a creative



environment and must be embraced.

## Quality of Life

In addition to technology, talent, and tolerance, the “creative class” craves an environment and a high quality of life that allows them to enjoy themselves, mentally and physically outside of the workplace. The agglomeration economies of cities makes these types of amenities possible, and as cities continue to attract more and more creative individuals, they can continue to support additional urban enjoyments such as plays and restaurants. Glaeser discusses the successes of cities such as London, New York, and Paris that have become urban playgrounds for their residents. According to Glaeser, “they contain centuries’ worth of investment in buildings and museums and parks, but they also benefit from the urban ability to magnify creativity, which makes cities enjoyable as well as industrious. Urban innovation doesn’t mean just new types of factories or financial instruments; it also means new cuisines and plays. Above all, the abundance of human talent in a place like London offers an opportunity to interact with people who interest you” (Glaeser, p. 119). Essentially, cities that continue to attract creative individuals have somewhat of a snowballing effect and are able to support additional industries and businesses that these individuals favor, therefore attracting more people and investment to the city.

In his talk in Savannah, Georgia, Florida explains that the creative class concentrates in cities that exhibit several key qualities including great employment opportunities, recreational opportunities, and the human energy and creativity that surrounds urban and densely populated areas. He further describes what citizens are looking for in a place to live, which takes the form of a pyramid, similar to Maslow’s hierarchy of needs. The base of the pyramid contains opportunity, including economic, religious, and civic opportunities to allow citizens to become engaged with their community and achieve financial stability. The next level contains basic services, such as a good education system for children and low crime. Above basic services is

city and community leadership. Florida describes a successful leadership group in a community as one without “squelchers,” who disapprove of new ideas, propositions, and people in the community. Groups with “squelchers” can be highly detrimental to the quality of life within a city or neighborhood. Values and lifestyle follow leadership, with aesthetics at the peak of the pyramid. While aesthetics are essential to a great city, it should be noted that physical beauty should be a priority only after opportunity, basic services, and leadership are fulfilled (Florida, 2006).

It has been my experience that it is at this point that some planners and policymakers can get somewhat mixed up at times. Glaeser warns against confusing helping poor places with helping poor people, stating, “Too many officials in troubled cities wrongly imagine that they can lead their city back to its former glories with some massive construction project- a new stadium or light rail system, a convention center, or a housing project. With very few exceptions, no public policy can stem the tidal forces of urban change. We mustn’t ignore the needs of the poor people who live in the Rust Belt, but public policy should help poor people, not poor places” (Glaeser, p. 9). In many cases of declining or struggling cities, large investments in aesthetics attempt to serve as a band-aid to cover up a much deeper wound. In most cases, these surface fixes do not even touch the true issues, which are generally lower on Florida’s Place Pyramid, such as economic stability (opportunity) and a good educational system (basic services), and end up requiring massive amounts of money that could have instead been spent targeting the true issues. “Civic leaders,” Glaeser states, should keep “focused on doing the basic jobs of local government: policing the streets and improving public schools. City governments must not react to fiscal distress by cutting municipal services, like policing. The easiest way to ensure that a city won’t survive an economic crisis is to turn it into a dangerous no-man’s land. Unsafe streets will repel the skilled workers that are so vital for urban rebirth” (Glaeser, p. 132).

I believe that as planners, this is one of the toughest realities that must be faced. At least I tend to be drawn to the aesthetically pleasing and physically neat and organized, and this seems to carry over into my planning mindset. I, as many other planners, have grandiose visions of restored downtowns and picturesque tree-lined streets with a farmers market on one side and an art gallery on the other. While these amenities are certainly nice to have, they must be invested in after basic needs and services are being met within the community. People love a beautiful community, but no one will be there to enjoy it if the educational system is falling apart or if such high levels of crime make it impossible to take advantage of these amenities.

## Reflecting on Gas City

While there is no reason to pretend that Gas City is going to become the Midwest's next Chicago or that the several liberal arts universities located within Grant County will ever have the resources that have allowed the University of Michigan and Purdue University to fuel their local economies, Gas City can take advantage of the global environment at a smaller scale with many of the resources that it already has. For communities like Gas City, it is less about expansive growth and more about achieving a stable economy in which residents can enjoy a high quality of life, at minimum meeting the basic needs of Florida's Place Pyramid. The Gas City team generated ambitious plans for redevelopment and growth, particularly in the downtown area. While we all had best intentions, much of this, I believe, came from our desire to see a declining city thriving in the greatest, most beautiful way possible. While the likeliness of a proposal of such magnitude being successful is somewhat complicated because the plan was generated from the perspective of a developer, it is likely that the proposal in its entirety was somewhat too ambitious, given the position of Gas City within the shifting economic climate.

While a complete urban revitalization is unlikely to transform Gas City's entire downtown, there are a number of strategies that the Gas City

team hit on that may be very real possibilities for economic recovery. As was discussed earlier, widespread, low-skill manufacturing jobs are a thing of the past. However, as was the subject of *The Economist* special report on "the third industrial revolution," we are still creating things, though it is now done through a significantly more digital interface and on a much smaller scale. Although this may not mean hundreds of new jobs, providing a place, the necessary tools and equipment, and the education necessary to make the shift to this new type of manufacturing may give opportunity back to some of those who lost previous manufacturing jobs as well as technology, design, and entrepreneurial students in the region's several educational institutions. The Gas City team recommended the development of a business incubator in downtown Gas City that could provide some of these opportunities. The location of such a business incubator would draw in students and human capital from around Grant County in addition to the residents of Gas City.

One of the most exciting aspects of this new type of manufacturing is its scale. Economies of scale are achieved through its many users, rather than the production of a singular item. This means that there are increased opportunities for individuals and smaller firms to start launching their products and also for affordable customization for clients. As firms such as Projectione are discovering, there is an emerging market involving the synthesis of innovation, design, technology, and production, and it does not require factories dedicated to a single corporation or mass production of a single, specialized product.

Because the Gas City team focused primarily on Gas City itself, rather than the region as a whole, we designated Gas City as the location of the business incubator. However, placing the incubator in Marion instead could also be beneficial for regional growth, as the City is closer to the educational institutions, which the incubator is targeting. Further research should explore whether Gas City or Marion would be a better location to target county growth.



In addition to the development of a business incubator, the Gas City team also focused on Richard Florida's idea of the attraction of the creative class as a means of economic development. While we did not go into great detail as to what we meant by "attraction of the creative class," I believe my understanding of the appropriate role of the creative class in Gas City's economic development plan has shifted. The term "creative class" itself brings upon visions of luring ultra-creative individuals such as artists, graphic designers, and craft brewers to the city as a way to boost the local economy. I hesitated to even use this term during our final presentation due to its "yuppie" connotation.

While there certainly is a role for these artistic individuals in Florida's theory, the meaning of creative class for the future of Gas City is slightly more complicated. It involves, as Florida suggested, realizing the creative potential within every individual in the community. I recognize that this sounds somewhat bizarre and entirely utopian, but given this era of globalization, the idea is not so far fetched. Given that low-skill manufacturing will never be a critical base of the Midwestern economy again and the incredible technological and communication tools that globalization has offered, cities that were once dependent on the manufacturing base are going to have to start innovating if they wish to evolve with this new age. This means that individuals are going to have to start thinking creatively and taking advantage of globalization's business tools, such as the Internet, regardless of their industry or interests, and that cities and communities are going to have to facilitate this creativity and interaction. Partnering with neighboring universities and investing in public education will be critical to this strategy, as knowledge and innovation are now becoming our competitive advantages, as Florida described. According to Glaeser, "For cities, investing in schooling yields two payoffs. Students acquire more skills, which eventually makes the place more productive. Better schools also attract better-educated parents, who make the place more productive right away. The single best way to create a smart city is to create schools that



attract and train able people" (Glaeser, p. 255).

While it is clear that the way that municipalities, such as Gas City, view their economies must fundamentally change in a way, these changes will not happen overnight. Nor will Main Streets and downtowns be revitalized in one fell swoop, and they probably should not be. Once again, Glaeser warns that investment in cities should focus on helping people rather than places. He also urges planners to "be realistic and expect moderate successes, not blockbusters. Realism pushes toward small, sensible projects, not betting a city's future on an expensive roll of the dice" (Glaeser, p. 66). Although it would certainly be glorious, completely redeveloping all of Gas City's downtown would more or less be an expensive roll of the dice.

In conclusion, a bright future may exist for Gas City, though I do not believe it will be the grandiose picture that the Gas City team constructed in our heads. In a similar way, while it could be extremely beneficial for the city to gain a firm offering hundreds of jobs to the unemployed of the city, all funds should not be directed at winning over firms through traditional economic development incentives. Rather, the city can prosper by maintaining a strong educational system, reworking the way it thinks about manufacturing in this global age, and generating innovation through the pairing of tools, education, and equipment with creative minds. ■



# WORKS CITED

- Bartik, T.J. (2007) Solving the Problems of Economic Development Incentives. In A. Markusen (Ed.), *Reining in the Competition for Capital* (pp. 103-140). Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.
- Florida, R. (2002). *The rise of the creative class*. New York: Basic Books.
- Florida, R. (Performer) (2006). *Richard florida: Rise of the creative class* [Web]. Retrieved from <http://dev.forum-network.org/lecture/richard-florida-rise-creative-class>
- Glaeser, E. (2011). *Triumph of the city*. New York: Penguin Group.
- Longworth, R. C. (2008). *Caught in the middle*. New York: Bloomsbury USA.
- Manufacturing and innovation. (2012, April 21). *The Economist*, pp. 3-20.
- Peters, A., Fisher, P. 2004. The Failures of Economic Development Incentives. *Journal of the American Planning Association*, 70(1), 27-37.
- U.S.CensusBureau, (2010). 2006-2010 american community survey. Retrieved from website: [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_10\\_5YR\\_S2301&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_10_5YR_S2301&prodType=table)
- Wassmer, R.W. (1994) Can Local Incentives Alter a Metropolitan City's Economic Development? *Urban Studies*, 31(8), 1251-78. Taylor & Francis Ltd.